

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,)	<u>I N F O R M A T I O N</u>
)	
Plaintiff,)	CASE NO.
)	
v.)	JUDGE
)	
DAVID F. VERHOTZ,)	Title 18, United States Code, Section
)	1344
Defendant.)	

The United States Attorney charges:

COUNT ONE
(Bank Fraud)

At all times material to this Information:

BACKGROUND

Relevant Persons and Entities

1. Key Bank NA ("Key") was a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). Key was a wholly-owned subsidiary of KeyCorp, an Ohio corporation, headquartered in Cleveland, Ohio. KeyCorp was a publicly-traded company and its stock was traded under the symbol "KEY" on the New York Stock Exchange, a national

securities exchange. The defendant, DAVID F. VERHOTZ, was employed at Key as Senior Vice President for Global Treasury Management and was Director of the Bank's International Division. VERHOTZ was responsible for managing correspondent bank accounts for foreign banks whose customers transacted goods in the United States. VERHOTZ's responsibilities included requesting, approving, and underwriting loans for those banks.

2. Dexia Bank ("Dexia") was a bank based in Brussels, Belgium. Danske Bank ("Danske") was a bank based in Copenhagen, Denmark. Fokus Bank ("Fokus") was a bank based in Norway and owned by Danske. Bacob Bank ("Bacob") was a bank based in Brussels, Belgium, and purchased by Dexia. MDD Trading Limited ("MDD") was an international trade company based in Hong Kong.

Banker's Acceptances and Trade Advances

3. A Banker's Acceptance or Trade Advance is a time draft drawn on, and accepted by, a bank. By accepting a draft, the bank indicates its commitment to pay the stated amount of the draft on a specified future date. Banker's Acceptances and Trade Advances are common in short-term international trade transactions involving the shipment of goods and are typically used to provide immediate payment to suppliers and insurance against loss for buyers. Typically, a financial institution will assume the risk of loss and facilitate such payments in exchange for interest charges. The issuance of a Banker's Acceptance or Trade Advance is similar to obtaining a loan or a line of credit in that the financial institution will use the underlying trade goods as collateral and will require the drawer to provide substantial documentation including shipping documents and warehouse receipts.

THE FRAUDULENT SCHEME

Statutory Allegation

4. From on or about October 15, 1997, through on or about November 8, 2006, in the Northern District of Ohio, Eastern Division, and elsewhere, DAVID F. VERHOTZ, the defendant, did knowingly execute and attempt to execute a scheme and artifice to defraud Key Bank, a federally-insured financial institution, and to obtain moneys, funds, credits, assets, securities, and other property owned by and under the custody and control of said financial institution, by means of false and fraudulent pretenses, representations, and promises.

Scheme to Defraud

5. During the time period alleged herein, VERHOTZ obtained about 106 fraudulent Trade Advance loans totaling approximately \$40,623,533.04. In furtherance of the scheme and artifice and in order to conceal it from Key Bank, VERHOTZ obtained these loans in the names of Dexia, Fokus, Danske, Bacob, and MDD.

6. In furtherance of the scheme and artifice, VERHOTZ created fictitious names, purportedly as representatives of some of the foreign banks, and created fictitious letters, purportedly on the letterhead of these foreign banks, requesting the Trade Advance loans. VERHOTZ also forged the name of an individual at MDD. After VERHOTZ received and approved these fraudulent requests, Key funded the Trade Advance loans.

7. In order to conceal and continue his scheme and artifice, VERHOTZ often used the proceeds from new Trade Advance loans to pay off existing obligations.

8. VERHOTZ also used a substantial portion of the fraudulently-obtained loan proceeds for various personal acquisitions including, but not limited to, the following:

- a. A residence at 363 Parsonage Lane, Sagaponack, New York, for approximately \$5.6 million in the name Victoria Eight LLC;
- b. Approximately \$2.7 million toward the purchase of a condominium at 260 Park Avenue South, New York, New York; and
- c. Approximately \$2.1 million for various pieces of jewelry.

9. On or about the dates indicated during 2006, in furtherance of the scheme and artifice, the defendant fraudulently obtained from Key Bank the following Trade Advance loans in the name of Dexia, all of which remain unpaid:

<u>Date</u>	<u>Amount</u>
02/08/2006	\$ 580,000
03/02/2006	\$ 525,000
03/03/2006	\$ 590,000
04/13/2006	\$ 920,000
04/14/2006	\$ 875,000
04/27/2006	\$ 965,000
05/19/2006	\$ 700,000
06/21/2006	\$ 750,000
08/15/2006	\$ 490,000
08/16/2006	\$ 590,000
09/07/2006	\$ 650,000
09/13/2006	\$ 660,000
10/18/2006	\$ 570,000

10/24/2006	\$ 540,000
10/25/2006	\$ 600,000
10/31/2006	\$ 640,000
Total	\$10,645,000

10. On or about the dates indicated during 2006, in furtherance of the scheme and artifice, the defendant fraudulently obtained from Key Bank the following Trade Advance loans in the name of Fokus, all of which remain unpaid:

<u>Date</u>	<u>Amount</u>
03/23/2006	\$ 585,000
04/05/2006	\$ 630,000
04/28/2006	\$ 975,000
05/03/2006	\$ 620,000
05/18/2006	\$ 275,000
06/07/2006	\$ 350,000
06/20/2006	\$ 450,000
07/25/2006	\$ 615,000
Total	\$ 4,500,000

11. On or about the dates indicated during 2006, in furtherance of the scheme and artifice, the defendant fraudulently obtained from Key Bank the following Trade Advance loans in the name of Danske, all of which remain unpaid:

<u>Date</u>	<u>Amount</u>
02/23/2006	\$ 585,000
03/24/2006	\$ 592,000
04/04/2006	\$ 650,000

05/02/2006	\$ 988,000
05/18/2006	\$ 650,000
Total	\$ 3,465,000

12. As a result of the defendant's conduct, Key was defrauded and sustained a loss totaling approximately \$18,610,000.00.

All in violation of Title 18, United States Code, Section 1344.

FORFEITURE

For the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982, the allegations of Count 1 are incorporated herein by reference. As a result of the foregoing offense, defendant DAVID F. VERHOTZ shall forfeit to the United States any and all property constituting, or derived from, any proceeds he obtained, directly or indirectly, as the result of such violations; including, but not limited to, the following assets set forth in the following paragraphs A and B:

A. A money judgment in the amount of \$18,610,000.00 dollars reduced by the net value received by the United States upon the sale by the United States of the assets set forth in the immediately following paragraph B.

- B.
1. Real Property located at 363 Parsonage Lane, Sagaponack, New York (Permanent Parcel No. 908-006.-03.021), titled to Victoria Eight, LLC. (an entity controlled by Defendant DAVID F. VERHOTZ) including all contents and fixtures therein;
 2. Contents (approximately \$55,453.15) of Commerce Bank account #7921726803 in the name of Victoria Eight LLC;
 3. Contents (approximately \$53,060.29) of Sentient Jet account #916042896620 in the name of DAVID VERHOTZ;

4. 2005 Mercedes Benz CLK320 Convertible, VIN: WDBTK65G15T051897;
5. \$2,727,186.37 seized from an escrow account held for the benefit of DAVID F. VERHOTZ;
6. \$4,891.00 in U.S. Currency seized from DAVID F. VERHOTZ on November 11, 2006;
7. One pair of Harry Winston round-cut white diamond stud earrings;
8. One Suna silver necklace with diamond-studded round medallion;
9. One diamond-encrusted Patek Philippe watch;
10. One pair Graff earrings, each with five diamonds and one ruby;
11. One pair Buccellati diamond and gold earrings;
12. One yellow gold rope necklace - no brand name apparent;
13. One pair Damiani diamond earrings with turquoise medallions;
14. One yellow gold rope bracelet - no brand name apparent;
15. One Damiani silver necklace with turquoise medallions;
16. One Mikimoto necklace with white and gray pearls;
17. One pair Damiani silver color hoop earrings;
18. One pair Ippolita gold hoop earrings;
19. One yellow gold necklace – John Hardy from Saks Fifth brand;
20. One Tiffany & Co. silver necklace with four-diamond medallion;
21. One Tiffany & Co. platinum/silver tennis bracelet with diamonds;
22. One Tiffany and Co. platinum/silver diamond necklace;
23. One Graff platinum/silver diamond bracelet;
24. One pair round-cut white diamond stud earrings – no brand apparent.

25. One pair Graff princess cut yellow diamond stud earrings;
26. One Graff 11.88 carat platinum white emerald cut diamond ring; and,
27. One Graff princess-cut yellow diamond ring.

Substitute Assets: In the event that any property subject to forfeiture pursuant to Title 18, United States Code, Section 982, as a result of any act or omission of the defendant:

1. Cannot be located upon exercise of due diligence;
2. Has been transferred or sold to, or deposited with a third party;
3. Has been placed beyond the jurisdiction of the Court;
4. Has been substantially diminished in value; or
5. Has been commingled with other property which cannot be divided without difficulty,

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b), to seek forfeiture of any other property of the defendant, up to an amount equivalent to the value of the property forfeitable under Section 982.

WILLIAM J. EDWARDS
ACTING UNITED STATES ATTORNEY